AHA

Advancing Health in America

Statement for the Record
of the
American Hospital Association
for the
Subcommittee on Health
of the
House Energy and Commerce Committee
on
Medicaid Today: The States' Perspective

March 12, 2003

On behalf of our nearly 5,000 hospital, health care system, network and other health care provider members, the American Hospital Association (AHA) appreciates the opportunity to submit this statement for the record regarding Medicaid reform. The AHA shares the committee's concern that the Medicaid program must be strong in order to continue meeting the health care needs of our most vulnerable people. Nearly 45 million poor, disabled and elderly individuals rely on Medicaid for their care. Over its nearly 40-year history, Medicaid truly has become the nation's health care safety net.

The importance of this role has never been more critical than today. The current economy has forced many Americans out of work, pushing them and their families into the ranks of the uninsured. Medicaid has historically served as a buffer to the perils of an uncertain economy by providing access to health services for those who cannot afford it. Yet, today's recession has thrust upon states the most serious fiscal crisis in over 50 years. Last year nearly all states imposed Medicaid cutbacks in some form to fill budget gaps, or used up all of their specials funds to prevent direct cuts in Medicaid eligibility or key services. State governments currently face budget shortfalls of $40 to $50 billion, and projections are pushing that figure to over $70 billion next year. The vast majority of states expect to consider proposals to cut Medicaid eligibility, health services and payments to health care providers. It is imperative that any federal action to address the current crisis, and any federal efforts to change the current structure of the Medicaid program, must not put further financial pressure on the states nor diminish the guarantee of coverage for our most vulnerable Americans.

The Administration proposal seeks fundamental change to the Medicaid program and ties any fiscal relief for states to the acceptance of such proposed changes. It weakens the guarantee of coverage for vulnerable populations and dismantles the Disproportionate Share Hospital Payment (DSH) program. DSH is our nation's primary source of support for safety net hospitals that serve the most vulnerable Americans – Medicaid beneficiaries and the uninsured and underinsured. The proposal loosens federal oversight and state accountability. And it is the poor, disabled and elderly that would be affected.

Provide Fiscal Relief – The AHA believes that the current fiscal crisis faced by states demands immediate and meaningful federal support. That support could be in the form of an increase in the federal Medicaid matching percentage or other relief that would allow states to use such funds to help support their Medicaid programs. States should not be forced to radically transform their programs to receive such fiscal relief, nor should they be compelled to reduce future spending to repay the federal support given now.

Protect the Vulnerable – The AHA believes that this nation has an obligation to care for the neediest of our society. A federally enforced entitlement to a set of meaningful benefits for this population must be maintained. An approach that requires coverage of the mandatory Medicaid population, but allows states absolute flexibility in deciding which non-mandatory populations and health care services will be covered in the future, begins to erode the guarantee to coverage that has long been a fundamental feature of the Medicaid program. Optional services such as prescription drugs for the poor, elderly, and disabled, could be eliminated. Health services to more than 12 million non-mandatory children, parents, disabled and elderly people could stop if these populations are dropped from the Medicaid rolls, thereby swelling the ranks of the uninsured.

Maintain Financial Integrity – The AHA believes that the federal and state governments have an obligation and responsibility to maintain their financial commitment to the program. The Administration proposes to sever the federal and state financial partnership and replace it with a fixed federal commitment and a state maintenance of effort, which begins to unravel the financial foundation of the Medicaid program. At the heart of the proposal is the absorption of the Medicaid DSH funds into the acute care allotment. The current Medicaid DSH program is the reason that many hospitals have been able to continue serving our most vulnerable people. The elimination of this discrete payment program would be a devastating blow to these hospitals, and to the poor and uninsured patients they serve. Many of these hospitals are in financial jeopardy; many are the sole source of care in their communities. Their failure would put communities at risk, because without them, medical services, social services and important jobs would disappear.

The committee should enact the Access to Hospitals Act of 2003 (H.R. 328) introduced by Reps. Ed Whitfield (R-KY) and Diana DeGette (D-CO), respectively. This bipartisan bill would eliminate a scheduled falloff in federal Medicaid DSH funding, so that in 2003 and beyond each state DSH program can grow with inflation. And the committee should support legislation to be introduced by Reps. Heather Wilson (R-NM) and Gerald Kleczka (D-WI) to increase the federal Medicaid allotment for states with small Medicaid DSH programs so that those states can better help their safety net hospitals. Both legislative approaches would provide more meaningful help to states and support to financially vulnerable hospitals serving the neediest patients.

In addition, the Administration's approach would cap federal spending using FY 2002 spending as the base year, updated yearly by a non-specified trend factor. The required state maintenance of effort would also be tied to the FY 2002 base year amounts, with annual updates. What this translates into is a capped program that over time will struggle to meet the needs of the mandatory population by putting pressure on states to reduce coverage to the non-mandatory populations and to reduce payments to providers.

Protect Access to Care – The AHA believes that adequate provider payment is critical to ensuring that Medicaid beneficiaries have access to needed services by making certain there are providers available. Current Medicaid law has minimal protections that are mostly geared to making the payment rate-setting process more public. The AHA advocates that these current protections should be expanded and strengthened.

The AHA also believes that federal oversight of state Medicaid programs serves as an important tool in protecting access to health care services for vulnerable people. The federal government oversight role ranges from overseeing Medicaid managed care plans to make certain enrollees have access to quality health care providers, to assuring the financial integrity of the program by making certain states spend their Medicaid funds on health care. The Administration's approach would significantly weaken this oversight role for the federal government and erase state accountability for the management of their programs.

The Medicaid program has played a vital role in providing access to health care services to millions of Americans over its 40-year history. If the Medicaid program did not provide this coverage, tens of millions would be added to the ranks of the uninsured. The current fiscal crisis faced by states should not be the impetus for dismantling the program and abandoning its mission of serving those who need help the most – poor children and their families, the elderly and disabled. States need immediate and meaningful fiscal relief and any flexibility granted state governments should not put at risk the mission of the Medicaid program. The AHA stands ready to assist the committee in any way as it tries to meet its many challenges.